

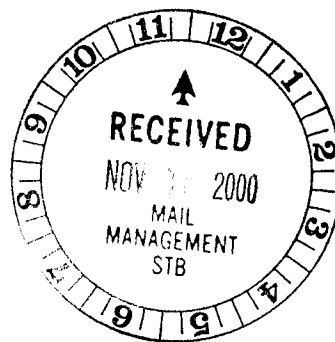
ENTERED
Office of the Secretary

NOV 17 2000

Part of
Public Record

November 15, 2000

Surface Transportation Board
Office of the Secretary
Case Control Unit
Attn: STB Ex Parte No. 582 (Sub No. 1)
1925 K Street, N.W.
Washington, D.C. 20423-0001



RE: *Major Rail Consolidation Procedures – Notice of Proposed Rulemaking*
STB Ex Parte No. 582 (Sub-No. 1)

Dear Secretary Williams:

Enclosed herewith are an original and 26 copies of the Comments of Ameren Services Company for submission in the above-captioned proceeding. A 3.5-inch diskette containing a copy of this letter and Ameren's statement in Word97 is also enclosed.

Please acknowledge receipt and filing of the enclosed statement by file-stamping the enclosed twenty-sixth copy of the statement and returning that copy to me in the enclosed self-addressed stamped envelope.

Sincerely,

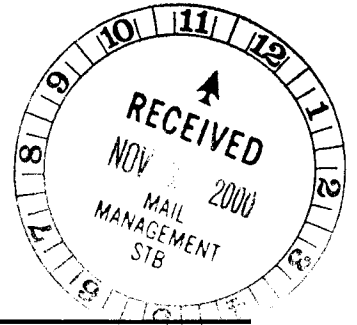
A handwritten signature in dark ink, appearing to read "Glennon P. Hof".

Glennon P. Hof
Coal Transport Director
Ameren Services Company

Enclosures

cc: Steven Sullivan
Robert Neff

**BEFORE THE
SURFACE TRANSPORTATION BOARD**



STB Ex Parte No. 582 (Sub-No. 1)

ENTERED
Office of the Secretary
NOV 17 2000
Part of
Public Record

MAJOR RAIL CONSOLIDATION PROCEDURES

**COMMENTS OF
AMEREN SERVICES COMPANY**

**Glennon P. Hof
Transportation Director
Ameren Services Company
1901 Chouteau Ave.
St. Louis, MO. 63103**

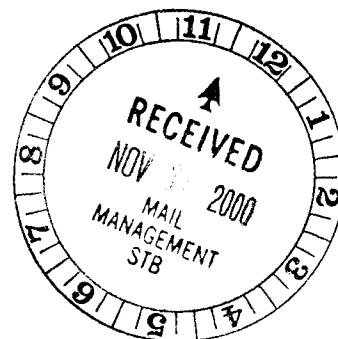
November 15, 2000

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 582 (Sub-No. 1)

MAJOR RAIL CONSOLIDATION PROCEDURES

COMMENTS OF AMEREN SERVICES COMPANY



ENTERED
Office of the Secretary

NOV 17 2000

Part of
Public Record

Summary of Comments

Ameren Services Company continues to encourage the Surface Transportation Board ("STB" or "Board") not to merely maintain, but to enhance competition among rail carriers during future rail merger proceedings. History has shown that prior STB efforts to preserve competition have been undermined by the merging carriers after a merger is completed, resulting in a lessening of competition. Therefore, Ameren Services Company supports the proposed revisions to § 1180.1(c)(2)(i) - Reduction of Competition, § 1180.1(c) - Relief of "paper" and "steel" barriers, and § 1180.1 - General Policy Statement as addressed below.

Background of Ameren Corporation

Ameren Corporation ("Ameren") is a Public Utility Holding Company which includes the utilities formerly known as Central Illinois Public Service Company (d/b/a AmerenCIPS), Union Electric Company (d/b/a AmerenUE), and the unregulated generating company, Ameren Energy Generating Company. Ameren purchases approximately 30 million tons of coal annually. Approximately 29 million tons of this coal moves by rail, with the remainder moving by barge and truck. Rail transportation costs are a large part of Ameren's operating costs, totaling approximately \$300 million per year. Ameren maintains a fleet of roughly 5,000 railcars for its use, and at any given time, there are approximately 35 unit trains in service to Ameren facilities.

Major rail carriers serving Ameren coal-fired plants include Burlington Northern Santa Fe ("BNSF"), Canadian National/ Illinois Central ("CNIC" or "CN"), Norfolk Southern ("NS") and Union Pacific ("UP"). Ameren also controls two shortline railroads, the Joppa and Eastern Railroad, and the Missouri Central Railroad Company.

Issues to be Addressed in Ameren's Comments

In its Advance Notice of Proposed Rulemaking of October 3, 2000, the STB requested that rail shippers and other interested parties comment on the proposed modifications to its regulations at 49 CFR part 1180 governing proposals for major rail consolidations. Ameren endorses the STB's changes to §1180.1(a) requiring demonstration of "improved service" and "enhanced competition" before mergers will be approved. Ameren also supports the STB's position in § 1180.1(c) that recognizes some of the limitations of past mergers and the need to adequately compensate shippers because promised merger benefits have not been realized in the past. Because additional mergers could again result in the loss of geographic competition or service disruptions, the proposed language in § 1180.1 allows the STB "to maintain a balance in favor of the public interest" by requiring "merger applications [to] include provisions for enhanced competition." Such merger approvals will "cause the Board to make broad use of the powers available to it in 49 USC 11324 (c) to condition its approval to preserve and enhance competition."

Enhanced competition is the area in which Ameren offers its comments. Comments will be specifically made on the following sections:

1180.1 (c)(2)(i)	Reduction of Competition
1180.1 (c)	Relief for "Paper and "Steel" barriers
1180.1	General Policy Statement

Comments on § 1180.1 (c)(2)(i) Reduction of Competition

Ameren endorses the STB decision to preserve the contract exception to bottleneck situations. In the revision to 1180.1(c)(2)(i) - Reduction of Competition, the Board states that "applicants shall also explain how they would at a minimum preserve competitive options such as . . . the opportunity to enter into contracts for one segment of a movement as a means of gaining the right separately to pursue rate relief for the remainder of the movement." In the comment section of this proposed rule, the Board states that "we also would specifically require applicants to present an effective plan . . . to preserve opportunities for separately challengeable segment rates to be used in conjunction with contract rates in bottleneck situations."

History has shown that attempts at merely preserving competition have resulted in a reduction in competition. Efforts to maintain existing competition at "2 to 1" locations in the UP/SP merger often resulted in less competition when the merger was finally implemented, such as at Ameren's Labadie plant, a situation recently rectified by the STB's decision in Finance Docket No. 32760. The tendency of the merging railroads to promise competitive solutions during the merger process, but then fight implementation of these promises after the merger is completed, is well-documented and has resulted in many shippers being required to seek further relief at the STB. With the lessening of alternative rail competition through mergers, the STB should seek to increase competition at not only "2 to 1" locations, but also at locations that

enjoy competition over any segment of their route. A merger should not result in a diminishing of competition on any portion of a shipper's route of movement.

The comment section also stated "that it is appropriate to reassure the shipping public that at a minimum major existing gateways would be kept open in future mergers." As the noted in the Board's comments, most inefficient gateways have now been closed. Ameren believes that major existing gateways should be expanded to include all gateways, major or not, through which traffic has been interchanged to a competitor.

Comments on Relief for "Paper" and "Steel" Barriers

In the Board's comments to § 1180.1(c), the Board states that applicants will be required to submit a plan for enhancing competition. "The focus of such a plan for enhancing competition could be placed on . . . the removal of "paper" and "steel" barriers" In §1180.1(d), it is stated that "The Board has broad authority under 49 USC 11324(c) to impose conditions on consolidations, including divestiture of parallel tracks or requiring the granting of trackage rights and access to other facilities."

Ameren hopes that the Board will seriously consider such strong actions to protect shippers not only from the anticompetitive effects of future mergers, but as a remedy for effects of past mergers. The Board should use its broad authority to encourage the viability of a number of carriers, not just existing competition.

One such way to enhance competition during rail consolidations would be to mandate that a merging carrier allow other carriers to serve industries from overhead trackage rights already in place at the time of the merger. Currently such overhead rights typically impose a "paper barrier" on the carrier using the overhead trackage rights. That is, the overhead carrier only has rights to travel the track from one point to another, but not to serve industries along the track. It is only the "paper barrier" in the trackage rights agreement that prevents actual service to the customers along the line. As a merger condition, increased competition would be relatively simple to achieve by removing these paper barriers, since the overhead carrier is already operating trains past the facilities.

Other paper barriers, such as the prohibition of service to certain shippers in line sale agreements to short lines, should be struck down. Many of these short line sale agreements were structured to stifle competition by the Class I railroads that spun off these lines. While Class I roads have benefited from sales of these lines to shortline railroads, shippers have been harmed by the restrictions placed in the sale agreements which prohibit competitive service by the shortline or other railroads.

Ameren would also support changes outside the context of a merger to encourage competition and the number of competitors. For example, in dealing with efforts to construct new lines and provide alternative competitive routes, the STB should propose rules to encourage and expedite handling of new construction and rehabilitation efforts to insure that such entities receive prompt and fair treatment.

Comments on the General Policy Statement

Although the Board states throughout its proposed rules and comments that it is changing its emphasis towards “enhancing competition,” nowhere in the Board’s rules does it specifically state that it will protect 3-to-2 shippers in a future merger. In the revised general policy statement for merger or control of at least two Class 1 railroads the Board states repeatedly that mergers must enhance competition but the absence of a specific reference to the protection of 3-to-2 shippers seems to support the Board’s past reluctance to even protect the existing competition of 3-to-2 shippers.

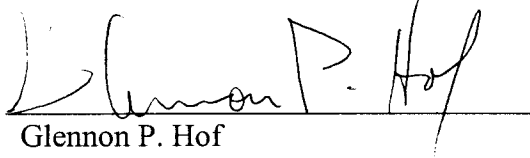
Ameren could find itself in several 3-to-2 situations if additional railroad mergers occur. For this reason, Ameren feels that it is important for the Board to understand that 3-to-2 protection is really only preserving competition and not enhancing competition. Even though the Board has not recognized 3-to-2 shippers as losing competition in the past, Ameren feels that such protection would only serve to maintain existing competition.

To follow its own stated intentions, the Board should adopt specific language which at a minimum preserves all existing rail-to-rail competition at facilities served by a merging railroad whether that competition be provided by two, three, four or more different alternatives.

Conclusion

First, Ameren believes that competition should be preserved at locations which are “2 to 1” over any segment of a rail move pursuant to the contract exception of the bottleneck cases, in the same manner that any other physical “2 to 1” location has been protected in past mergers. Second, Ameren supports the Board’s proposal that any plan for enhancing competition after mergers should focus on the removal of “paper” and “steel” barriers. Overhead trackage rights agreements should have local restrictions removed, shortline restrictions on serving shippers should be removed, and the STB should use its broad authority to authorize trackage rights and new construction to entities providing greater rail competition. Third, Ameren believes that 3-to-2 protection should be specifically recognized as merely preserving competition and not enhancing competition. As such, at a minimum under the Board’s profess desire to enhance competition, the Board should protect all rail-to-rail competition at facilities served by a merging railroad. Finally, Ameren applauds the Board for undertaking this rulemaking and for the recent proposed rule it issued. Ameren encourages the STB to aggressively pursue enhanced rail competition via the current rulemaking and in actual merger cases.

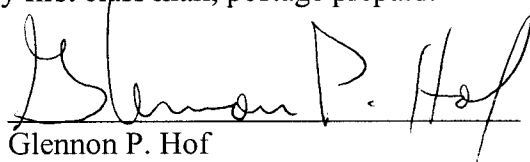
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glennon P. Hof", written over a horizontal line.

Glennon P. Hof
Transportation Director
Ameren Services Company
1901 Chouteau Ave.
St. Louis, MO 63103

CERTIFICATE OF SERVICE

This is to certify that on the 17th day of November, 2000, I caused the foregoing
“Comments of Ameren Services Company” in the Ex Parte No. 582 (Sub-No. 1) proceeding to
be served upon all known parties of record by first class mail, postage prepaid.

A handwritten signature in black ink, appearing to read "Glennon P. Hof", written over a horizontal line.

Glennon P. Hof